




STATE OF WASHINGTON
DEPARTMENT OF SOCIAL AND HEALTH SERVICES

March 20, 2009

TO: ADSA Stakeholders

FROM: Kathy Leitch, Assistant Secretary 
Aging and Disability Services Administration

SUBJECT: **Update on Temporary Medicaid Enhancement, Revenue Forecast, and Caseload Forecast**

The last time we exchanged information about the ADSA budget was at the December 23, 2008 Stakeholder meeting. It was snowing and cold. Now, almost three months later, it is still snowing and cold. Welcome to springtime in Washington!

Since December, Congress approved not only the federal stimulus money but the enhanced Medicaid match – FMAP (Federal Medical Assistance Percentage). After the December 23 Stakeholder meeting a number of you contacted our Congressional Delegation to advocate for a higher match and the efforts paid off. The focus of this email is to share with you what we currently know about the enhanced FMAP and its effects on ADSA's long-term care and developmental disabilities budget, our most up to date caseload information, and our statewide revenue forecast, focusing on the upcoming 2009-11 Biennium.

Enhanced FMAP Basics:

- The enhanced FMAP rates are temporary and apply for the last nine months of the current state fiscal year (2009) and the first 18 months of the 2009-11 State Biennium. They end December 31, 2011.
- The Governor's budget assumed the state would have to contribute 45 cents out of every Medicaid dollar. Averaged out for all months of each state fiscal year, including the months before the enhancement begins and after it ends, it is now estimated that state government will only need to cover 42 cents of every Medicaid dollar in FY09, 37 cents in FY10, and 43 cents in FY11. (The actual percentage of enhanced FMAP will be based on a formula that takes into account unemployment figures in each state and will be recalculated every three months.)
- In December, when Governor Chris Gregoire proposed her budget for the 2009-11 Biennium, she was counting on \$498 million in enhanced FMAP as part of the pending federal stimulus package, and we had assumed \$180 million of that would be for ADSA programs. The actual federal Medicaid stimulus for 2009-11 is estimated to be \$1.2 billion - an increase of about \$700 million over the Governor's assumptions. Of the \$1.2 billion, about \$420 million is estimated for ADSA, which is about \$240 million more than what the Governor assumed for 2009-11.



- To qualify for the enhanced FMAP, states must utilize eligibility standards, methodologies and procedures that are not more restrictive than those in place on July 1, 2008. Other types of cuts can be made that do not affect eligibility.
- There is no expanded maintenance of effort language that would prevent state legislators from shifting the savings in state dollars to pay for other services or programs.

Revenue Forecast and Caseload Forecast may Drive Further ADSA Reductions:

Even with the temporary FMAP increases, our state's budget picture is still dire. The revenue forecast released on March 19th estimates the state tax revenue in 2009-11 is \$2.1 billion less than expected in the November forecast which the Governor used to build her budget. The \$700 million increase in federal stimulus funding for Medicaid is offset by this decrease.

Meanwhile, the lingering recession is creating more demand for state services. DSHS caseloads are up in general, and the most expensive growth predicted for the 2009-2011 biennium is in Medicaid-financed long-term care for senior citizens and people with disabilities. The increase is due to the aging of our population and the growing number of people who are living longer with a disability. ADSA's 2009-11 caseload will increase by 6,000 cases costing more than \$80 million in additional state funds.

So, even with the infusion of \$1.2 billion in enhanced FMAP, the decrease in state revenue and increase in caseloads means the state faces the need for more spending cuts or new resources to balance the 2009-11 budget beyond what was in the Governor's proposal.

Please bear in mind the Legislature retains the ultimate "power of the purse" to set priorities for which programs are funded and at what level, even if those programs receive the enhanced match. There are many competing demands on decreasing levels of state dollars and their decisions will be difficult. Some folks are hoping that the cuts made in the Governor's budget will be proportionately restored to ADSA programs thanks to the additional federal revenue. I would caution against that assumption.

That said, I think legislators recognize the cost-effectiveness and the value of maintaining funding to keep senior citizens and people with disabilities in their own home or a community-based setting rather than costly institutional settings.

Over the upcoming months, we will provide more information on the distribution of funding for ADSA's programs.

Here are some additional resources.

<http://www-dev.dshs.wa.gov/geninfo/StimulusBenefits.html>

<http://www.leg.wa.gov/Senate/Committees/WM/>

<http://www.leg.wa.gov/House/Committees/WAYS/>

<http://recovery.wa.gov/default.asp>

<http://www.nasua.org/>

cc: ADSA Division Directors